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WALKER DIGITAL FIVE HIGH RIDGE PARK STAMFORD, CT 06905			CHANG, SABRINA A	
			ART UNIT	PAPER NUMBER
			3625	

DATE MAILED: 10/10/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/540,034

Applicant(s)

WALKER ET AL.

Examiner

Tim Brown

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 14 July 2003.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-70 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-70 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____.
- 4) ☐ Interview Summary (PTO-413) Paper No(s) _____.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____.

DETAILED ACTION

1. This final Office action is responsive to Applicants' reply submitted July 14, 2003 (hereinafter "Paper No. 9").

Response to Arguments

2. Applicant's arguments filed July 14, 2003 have been fully considered but they are not persuasive.

3. 35 U.S.C 101 rejection of Claims 1-48, 50-56 and 59-66

Applicants argue there is no authority that supports the rejection of Claims 1-48, 50-56 and 59-66 under 35 U.S.C. 101. Specifically, Applicants note there is no requirement that a claim must implement a physical feature in order to be considered statutory. However, the Examiner notes this issue was addressed in *In re Johnston* 183 USPQ 172 (CCPA 1974). In *Johnston*, the court noted a claim must fall within the technological arts in order to qualify as statutory subject matter under 35 U.S.C. 101. The court held a business method was within the technological arts because the method required the implementation of a record-keeping *machine*. Thus, *Johnston* sets for the requirement that a method claim must fall within the technological arts in order to qualify as statutory subject matter.

4. 35 U.S.C 103(a) rejection of Independent Claims 1, 65-67 and 70

Applicants argue Storey fails to teach *evaluating whether a merchant benefit will be applied to the transaction* as variously recited by Claims 1, 65-67 and 70. Applicants note that contrary to their invention, Storey's provides it is the customer, and not the merchant, that determines whether a merchant benefit will be applied to a transaction (Paper No. 9, p. 3). The Examiner respectfully disagrees for the following reasons.

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First, none of independent Claims 65-67 and 70 contain any limitation that requires the merchant to determine whether in fact a merchant benefit will be applied to the transaction. Claims 65-67 and 70 simply recite *evaluating whether a merchant benefit will be applied to the transaction*. In fact, the claims are silent as to who performs the evaluating step. Thus, Applicants' argument that Storey fails to teach the recited evaluating step is moot.

Second, even if independent Claims 65-67 and 70 could be construed to require the merchant to perform the evaluating step, Storey teaches this limitation. Storey discloses an online customer loyalty application wherein a user accumulates points for purchases over time. After accumulating a predetermined number of points, the user may redeem his points for an award. Storey specifically provides that the earning of points is "restricted only to those users who satisfy set requirements" (col. 3, lines 20-21). Thus, the points administrator, or merchant, determines whether a user will be awarded points for a given purchase transaction. Accordingly, Storey teaches *evaluating whether a merchant benefit will be applied to the transaction*.

5. Official Notice

Regarding Claim 27, U.S. Patent 6,604,089 to Van Horn et al. teaches receiving a customer offer to purchase the item in exchange for payment of an offer amount (see Abstract).

Regarding Claim 29, U.S. Patent 6,260,024 to Shkedy teaches wherein the customer offer is based on a customer-defined price (col. 1, lines 57-65; and col. 2, lines 1-8).

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Regarding Claim 30, Marn (Marn, M. V. "Managing price, gaining profit" McKinsey Quarterly, No. 4, (Autumn 1992) p. 18) teaches determining a merchant subsidy amount based on a third party subsidy amount and a customer's offering price (Id. at p. 2-3).

Regarding Claim 47, Howard (Howard, L. S. "RM sees outsourcing challenge" National Underwriter Property & Casualty Risk & Benefits Management, Vol. 101, no. 47 (November 24, 1997) p. 29) teaches applying a penalty to the customer if the customer does not perform the second task (Id. at 2).

Regarding Claim 55, U.S. Patent 6,029,141 to Bezos et al. teaches wherein said receiving is performed via a Web page and comprises receiving an indication that the item is in a virtual shopping cart associated with the customer (Abstract; and col. 2, lines 51-53).

Regarding Claims 61 and 62, a Business Wire article ("Shamrock Technology Co. establishes No. American HQ as monitor manufacturer continues market expansion" Business Wire (March 25, 1997)) teaches wherein the merchant benefit comprises an improved transaction term including at least one of a warranty term and an interest rate term (p. 1).

Claim Rejections - 35 USC § 103

6. The text of those sections of Title 35, U.S. Code not included in this action can be found in a prior Office action.

7. **Claims 1-26, 32-43, 45, 46, 48-54, 57-60, 63-70 are rejected under 35 U.S.C. 103(a) as being unpatentable over Storey (US 5,774,870) in view of Krauss (Krauss, J. "Subsidized TV sets?" Communications Engineering & Design (February 1998).**

Regarding claims 1, 66, 67 and 70, Storey teaches a method for processing a transaction in which a customer purchases an item from a merchant, comprising:

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determining a subsidy offer to be provided to the customer, the subsidy offer being associated with benefit to be applied to the transaction (Abstract; and col. 4, lines 26-52); and

evaluating whether a merchant benefit will be applied to the transaction (Abstract, col. 4, lines 11-26; col. 5, lines 64-67; and col. 6, lines 1-6).

Storey does not expressly teach applying a third party subsidy to the transaction. However, Krauss discloses a method wherein a customer's purchase of a television, from a merchant, is subsidized by a cable service provider cable (page 1). Krauss therefore discloses applying a third party subsidy to a transaction between a merchant and a customer. At the time of the Applicants' invention, it would have been obvious to modify Storey to include applying a third party subsidy to the transaction in order to enable the customer to complete the subsidized purchase of an item directly from a third party vendor. The benefit of purchasing from a third party vendor would be to provide the customer with a wider range of product options.

Regarding claim 2, Storey teaches basing said evaluation based on the third party benefit (Abstract, col. 4, lines 11-26; col. 5, lines 64-67; and col. 6, lines 1-6).

Regarding claims 3 and 5, Storey teaches performing said determining step in response to an indication that the customer is interested in purchasing the item and said determining comprises receiving an indication of the third party subsidy offer (col. 5, lines 37-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 4, Storey teaches the step wherein said evaluating is performed in response to an indication that the customer is interested in purchasing the item (col. 5, lines 64-67; and col. 6, lines 1-6).

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Regarding claim 6, Storey teaches the step wherein said receiving is performed prior to receiving an indication that the customer is interested in purchasing the item (col. 5, lines 37-50).

Regarding claim 7, Storey teaches the step wherein said receiving is performed in response to a request transmitted after receiving an indication that the customer is interested in purchasing the item (col. 5, lines 37-50).

Regarding claim 8, Storey teaches the step wherein said determining comprises: retrieving an indication of the third party subsidy offer (col. 5, lines 41-47).

Regarding claim 9, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount and the merchant benefit comprises a merchant subsidy amount (col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 10, Storey teaches the step wherein the merchant subsidy amount is based on a retail price associated with the item less the third party subsidy amount (col. 5, lines 64-67; and col. 6, lines 1-6).

Regarding claim 11, Storey teaches the step wherein evaluating comprises comparing a retail margin associated with the item and the merchant subsidy amount (col. 5, lines 51-64).

Regarding claim 12, Storey teaches wherein the retail margin comprises the retail price less a cost of the item to the merchant (col. 5, lines 51-64).

Regarding claim 13, Storey teaches the step wherein the merchant subsidy amount is applied to the transaction if the retail margin less the merchant subsidy amount is at least equal to a minimum acceptable margin associated with the item (col. 5, lines 51-64).

Regarding claim 14, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount and the merchant benefit comprises providing the item to the customer for free (Abstract, col. 5, lines 51-66).

Regarding claim 15, Storey teaches the step wherein said evaluating comprises comparing the third party subsidy amount and a cost of the item to the merchant (col. 5, lines 36-50).

Regarding claim 16, Storey teaches the step wherein the item is provided to the customer for free if the third party subsidy amount is at least equal to the cost of the item (col. 5, lines 51-61; and col. 6, lines 1-6).

Regarding claim 17, Storey teaches the step wherein said evaluating comprises comparing the third party subsidy amount and a retail price associated with the item (col. 5, lines 51-61; and col. 6, lines 1-6).

Regarding claim 18, Storey teaches the step wherein the item is provided to the customer for free if the third party subsidy amount is at least equal to the retail price (col. 5, lines 51-61; and col. 6, lines 1-6).

Regarding claim 19, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount, the merchant benefit comprises a reduced item price, and said evaluating comprises comparing the reduced item price, the third party subsidy amount, and a cost of the item to the merchant (Abstract, col. 5, lines 36-67; and col. 6, lines 1-6).

Regarding claim 20, Storey teaches the step wherein the reduced item price is applied to the transaction if a margin associated with the transaction is at least equal to a minimum acceptable margin associated with the item (col. 5, lines 51-64).

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Regarding claim 21, Storey teaches the step wherein the margin associated with the transaction comprises the third party subsidy amount plus the reduced item price less the cost of the item (col. 5, lines 51-64).

Regarding claim 22, Storey teaches the step wherein the reduced item price is applied to the transaction without being disclosed to the customer (col. 6, lines 54-62).

Regarding claim 23, Storey teaches the step wherein the the reduced item price is based on at least one of: (i) a retail price associated with the item less a predetermined amount, and (ii) a predetermined percentage of the retail price (col. 5, lines 36-67).

Regarding claim 24, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount, the merchant benefit comprises a reduced item price, and said evaluating comprises comparing the reduced item price, the third party subsidy amount and a retail price associated with the item (Abstract, col. 5, lines 36-67; and col. 6, lines 1-6).

Regarding claim 25, Storey teaches the step wherein the reduced item price is applied to the transaction if the reduced item price plus the third party subsidy amount is at least equal to the retail price (Abstract, col. 5, lines 36-67; and col. 6, lines 1-6).

Regarding claim 26, Storey teaches the step wherein the third party benefit comprises a third party subsidy amount, the merchant benefit comprises a reduced item price, and further comprising:

determining the reduced item price based on the third party subsidy amount and at least one of: (i) a retail price associated with the item, (ii) a cost of the item to the merchant, and (iii) a minimum acceptable margin (Abstract, col. 5, lines 36-67; and col. 6, lines 1-6).

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Regarding claim 32, Storey teaches the step wherein said evaluating is based on information associated with the customer (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 33, Storey teaches the step wherein the information associated with the customer comprises at least one of (i) an address, (ii) demographic information, (iii) psychographic information, (iv) a credit rating, (v) an association of the customer with the merchant, (vi) an association of the customer with a merchant competitor, (vii) information associated with at least one previous transaction, (viii) a previous subsidy offer provided to the customer, (ix) a previous subsidy offer accepted by the customer, and (x) a previous subsidy offer rejected by the customer (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 34, Storey teaches the step wherein said evaluating is based on information associated with the item (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 35, Storey teaches the step wherein the information associated with the item comprises at least one of: (i) an item category, (ii) an item class, (iii) an item feature, (iv) revenue management information, (v) a number of transactions being complete by the merchant, (vi) an amount of profit being made by the merchant, (vii) a supply of the item, and (viii) a demand for the item (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 36, Storey teaches the step wherein said evaluating is based on at least one other item being purchased by the customer in the transaction (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 37, Storey teaches the step wherein said evaluating is based on a margin associated with the at least one other item (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

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Regarding claim 38, Storey teaches the step wherein said evaluating is based on at least one prior transaction between the customer and the merchant (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 39, Storey teaches the step wherein the third party benefit is not revealed to the customer (col. 6, lines 54-26).

Regarding claim 40, Storey teaches the step wherein the merchant benefit is not revealed to the customer (col. 6, lines 64-52).

Regarding claim 41, Storey and Krauss teach all the limitations discussed under claim 1. Storey does not expressly teach the step wherein the third party benefit and the merchant benefit are not revealed to the customer. However, Krauss teaches applying a third party subsidy to the purchase of a cell phone wherein the subsidy is given to the merchant and not the customer (page 1). At the time of Applicants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey to include the step wherein the third party benefit and the merchant benefit are not revealed to the customer. This would provide the third party subsidy provider greater bargaining power since the customer would not know the subsidy amount. Thus, the customer would be prevented from searching out the most generous third party subsidy.

Regarding claim 42, Storey teaches the step wherein the third party subsidy offer is conditioned upon performance of a first task by the customer (Abstract, col. 5, lines 36-67 and 64-67; and col. 6, lines 1-6).

Regarding claim 43, Storey teaches the step wherein the merchant benefit is associated with a merchant subsidy offer (Abstract, col. 5, lines 36-67 and 64-67; and col. 6, lines 1-6).

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Regarding claim 45, Storey teaches the step wherein the merchant subsidy offer is conditioned upon performance of a second task by the customer (Abstract; col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 46, Storey teaches the step wherein the second task comprises at least one of (i) returning to the merchant within a predetermined period of time, (ii) purchasing another item from the merchant within a predetermined period of time, (iii) providing information to the merchant, and (iv) receiving information from the merchant (Fig. 6; Abstract; col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 48, Storey teaches transmitting an indication of the merchant subsidy offer to the customer; and receiving a response to the merchant subsidy offer from the customer (Abstract; col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 49, Storey teaches the step wherein said transmitting is performed via at least one of: (i) a Web page, (ii) a telephone, (iii) an interactive voice response unit, (iv) a point of sale terminal, (v) an automatic teller machine, (vi) a personal digital assistant, (vii) a portable customer device, (viii) an electronic mail message, and (ix) a kiosk (Abstract; col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 50, Storey teaches transmitting an indication of the third party subsidy offer to the customer (Abstract, col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 51, Storey teaches the step wherein the merchant benefit is determined prior to said transmitting (col. 5, lines 54-62).

Regarding claim 52, Storey teaches receiving an indication that the customer is interested in purchasing the item (Abstract; col 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

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Regarding claim 53, Storey teaches the step wherein at least one of said determining and said evaluating are performed in response to said receiving (Abstract; col 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 54, Storey teaches the step wherein said receiving comprises receiving from the customer an order for the item (Abstract; col 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 57, Storey teaches the step wherein said receiving comprises receiving at least one of:

- information stored at a customer device,
- an indication from an input device associated with the customer,
- an indication that the customer is viewing information about the item,
- an indication that the customer has viewed information about the item for a predetermined period of time,
- an indication that the customer is providing payment for the item, a search term, a price request,
- an indication that the customer is no longer interested in purchasing the item,
- an indication that the customer is not going to purchase the item at an original price, an indication that the customer is interested in purchasing another item,
- an indication that the customer is purchasing the item from another merchant,
- a bid for the item,
- an offer to purchase the item, the offer including a customer defined price for the item, and

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an indication that a second customer is interested in purchasing the item (Abstract, col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 58, Storey teaches the step wherein said receiving is performed via at least one of: (i) a Web page, (ii) a telephone, (iii) an interactive voice response unit, (iv) a point of sale terminal, (v) an automatic teller machine, (vi) a personal digital assistant, (vii) a portable customer device, (viii) an electronic mail message, and (ix) a kiosk (Abstract, col. 5, lines 36-50 and 64-67; and col. 6, lines 1-6).

Regarding claim 59 Storey teaches the step wherein the merchant benefit comprises another item to be provided to the customer in place of the item (Abstract).

Regarding claim 60, Storey teaches the step wherein the merchant benefit comprises another item to be provided to the customer in addition to the item (col. 8, lines 29-41 and 65-66).

Regarding claim 63, Storey teaches the step wherein said determining comprises determining a plurality of potential third party subsidy offers, and further comprising selecting the third party subsidy offer to be provided to the customer from the plurality of potential third party subsidy offers (Abstract; col. 4, lines 11-26; and col. 5, lines 36-51).

Regarding claim 64, Storey teaches a method for processing a transaction in which a customer purchases an item from a merchant, comprising:

determining a subsidy to be provided to the customer, the subsidy being associated with (i) an amount to be applied to the transaction and (i) performance of a task by the customer (Abstract; col. 4, lines 26-52; col. 5, lines 36-50 and 64-67 and col. 6, lines 1-6);

determining a merchant subsidy amount based on a retail price associated with the item less the third party subsidy amount (col. 5, lines 51-61; and col. 6, lines 1-6);

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determining a retail margin based on a retail price associated with the item less a cost of the item to the merchant (col. 5, lines 51-64; and col. 6, lines 1-6); and

applying the merchant subsidy amount to the transaction if the retail margin less the merchant subsidy amount is at least equal to a minimum acceptable margin associated with the item (col. 5, lines 51-64).

Storey does not expressly teach applying a third party subsidy to the transaction. However, Krauss discloses a method wherein a customer's purchase of a television, from a merchant, is subsidized by a cable service provider cable (page 1). Krauss therefore discloses applying a third party subsidy to a transaction between a merchant and a customer. At the time of the Applicants' invention, it would have been obvious to modify Storey to include applying a third party subsidy to the transaction in order to enable the customer to complete the subsidized purchase of an item directly from a third party vendor. The benefit of purchasing from a third party vendor would be to provide the customer with a wider range of product options.

Storey does not expressly teach the step wherein the third party subsidy and the merchant subsidy are not revealed to the customer. However, Krauss teaches applying a third party subsidy to the purchase of a cell phone wherein the subsidy is given to the merchant and not the customer (page 1). At the time of Applicants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey to include the step wherein the third party subsidy and the merchant subsidy are not revealed to the customer. This would provide the third party subsidy provider greater bargaining power since the customer would not know the subsidy amount. Thus, the customer would be prevented from searching out the most generous third party subsidy.

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Regarding claim 65, Storey and Krauss teach all the limitations discussed under claim 64. Storey further teaches receiving an indication that the customer is interested in purchasing the item (col. 5, lines 64-67; and col. 6, lines 1-6).

Regarding claim 68 Storey teaches a communication device coupled to said processor and configured to communicate with at least one of: (i) a customer device, (ii) a subsidy provider device, and (iii) a controller (Abstract).

Regarding claim 69, Storey inherently teaches the step wherein said storage device further stores at least one of (i) a customer database, (ii) an item database, (iii) a third party subsidy database, (iv) a merchant subsidy database, and (v) a transaction database.

8. Claims 27-31, 47, 55, 61 and 62 rejected under 35 U.S.C. 103(a) as being unpatentable over Storey (US 5,774,870) in view of Krauss (Krauss, J. "Subsidized TV sets?" Communications Engineering & Design (February 1998) and Official Notice.

Regarding claim 27, Storey and Krauss teach all the limitations discussed under claim 1. Storey further teaches a third party subsidy and a merchant subsidy (Abstract, col. 5, lines 36-67 and 64-67; and col. 6, lines 1-6). Storey and Krauss do not expressly teach receiving a customer offer to purchase the item in exchange for payment of an offer amount. However, the Examiner takes Official Notice that communicating a buyer's purchase offer over the Internet is old and well-known in the art. Therefore, at the time of Applicants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey and Krauss to include receiving a customer offer to purchase the item in exchange for payment of an offer amount. This combination would enable the customer to complete the purchase of the item through a negotiation process.

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Regarding claim 28, Storey teaches the step wherein the customer offer comprises at least one of (i) a binding offer, and (ii) an auction bid (Abstract).

Regarding claim 29, Storey and Krauss teach all the limitations discussed under claim 27. Storey and Krauss do not expressly teach the step wherein the customer offer amount is based on a customer-defined price. However, the Examiner takes Official Notice that reverse auctioning is old and well known in the art. Therefore, at the time of Applicants' invention, it would have been obvious to modify Storey, to include receiving a customer-defined price in order to permit negotiations such that the customer is permitted to communicate a binding offer to the merchant.

Regarding claim 30, Storey and Krauss teach all the limitations discussed under claim 27. Storey and Krauss do not expressly teach determining a merchant subsidy amount based on a third party subsidy amount and a customer's offering price. However, the Examiner takes Official Notice deciding whether to offer a rebate or discount based on a customer's offer price and the existence of a third party subsidy, is old and well known in the bargaining art. For example, a merchant would not offer a rebate if the customer's offering price, plus third party subsidy, only permits the merchant to break even. Therefore, at the time of Applicants' invention, it would have been obvious to one of ordinary skill in the art, to include determining a merchant subsidy amount based on a third party subsidy amount and a customer's offering price in order to determine whether the transaction will be profitable for the merchant.

Regarding claim 31, Storey teaches the step wherein the merchant subsidy amount is further based on at least one of: (i) a retail price associated with the item, (ii) a cost of the

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item to the merchant, and (iii) a minimum acceptable price associated with the item (col. 5, lines 35-60 and 64-67; and col. 6, lines 1-6).

Regarding claim 47, Storey and Krauss teach all the limitations discussed under claim 45. Storey and Krauss do not expressly teach applying a penalty to the customer if the customer does not perform the second task. However, the Examiner takes Official Notice that drafting a penalty clause in a contract is old and well known in the art.

Therefore, at the time of Applicants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey and Krauss to include applying a penalty to the customer if the customer does not perform the second task in order to encourage users to complete the transaction.

Regarding claim 55, Storey and Krauss teach all the limitations discussed under claim 53. Storey and Krauss do not expressly teach the step wherein said receiving is performed via a Web page and comprises receiving an indication that the item is in a virtual shopping cart associated with the customer. However, the Examiner takes Official Notice that providing a Web page with a virtual shopping cart is old and well known in the art. Therefore, at the time of Applicants' invention, it would have been obvious to modify Storey and Krauss to include teach a step wherein said receiving is performed via a Web page and comprises receiving an indication that the item is in a virtual shopping cart associated with the customer. This combination would provide a convenient and organized means for completing the transaction.

Regarding claims 61 and 62, Storey and Krauss teach all the limitations discussed under claim 1. Storey and Krauss do not expressly teach a step wherein the merchant benefit comprises an improved transaction term, including at least one of a warranty term

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and an interest rate term. However, the Examiner takes Official Notice that negotiation for improved transaction terms, such as an extended warranty, is old and well known in the art. Therefore, at the time of Applicants' invention, it would have been obvious to one of ordinary skill in the art to modify Storey and Krauss to include a step wherein the merchant benefit comprises an improved transaction term. This would provide the customer with an incentive to complete the transaction.

9. Claims 44 and 56 are rejected under 35 U.S.C. 103(a) as being unpatentable over Storey (US 5,774,870) in view of Krauss (Krauss, J. "Subsidized TV sets?" Communications Engineering & Design (February 1998) and further in view of Goldhaber et al. (US 5,855,008) ("Goldhaber").

Regarding claim 44, Storey and Krauss teach all the limitations discussed under claim 43. Storey and Krauss do not expressly teach the step wherein the merchant subsidy offer is not conditioned upon performance of a second task by the customer. However, Goldhaber teaches a system that provides users credit for viewing advertisements over the Web (Abstract). The user does not need to complete a purchase to earn credit (Id.). Goldhaber therefore teaches the step wherein a merchant subsidy offer is not conditioned upon performance of a second task (i.e. purchasing) by the customer. At the time of Applicants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey and Krauss to include the teachings of Goldhaber in order to provide the customer with credit for accessing the merchant catalog thereby encouraging users to access the merchant's Website.

Regarding claim 56, Storey and Krauss teach all the limitations discussed under claim 53. Storey and Krauss do not expressly teach the step wherein said receiving

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comprises receiving an indication that the customer is accessing information about the item. However, Goldhaber teaches a system that provides users credit for viewing advertisements over the Web (Abstract). Goldhaber therefore teaches receiving an indication that the customer is accessing information about an item. At the time of Applicants' invention, it would have been obvious to one of ordinary skill in the art, to modify Storey and Krauss to include the teachings of Goldhaber in order to provide the customer with an incentive for accessing the merchant catalog.

Conclusion

10. **THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

11. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Tim Brown whose telephone number is (703) 305-1912. The examiner can normally be reached on Monday - Friday, 8am - 5pm.

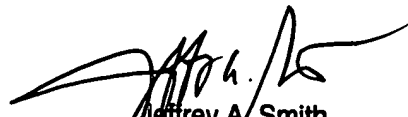
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If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Wynn Coggins can be reached on (703) 308-1344. The fax phone numbers for the organization where this application or proceeding is assigned are (703) 305-7687 for regular communications and (703) 305-7687 for After Final communications.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is (703) 308-1113.

Tim Brown
Examiner
Art Unit 3625

TB
October 6, 2003



Jeffrey A. Smith
Primary Examiner